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Poultry and Products

EC market support measures in the poultry sector 2006

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Report Highlights:

On July 3, 2006, details of the compensation to the poultry sector for the avian influenza crisis were laid down in Commission Regulation 1010/2006. The European Commission expects the maximum support at about Euro 75 million. The poultry sector expects that in practice only half of this amount will be allocated.

Includes PSD Changes: No
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Since the beginning of the avian flu crisis, consumption of poultry and eggs had fallen dramatically in some European Union (EU) Member States, leading to a sharp reduction in prices (see GAIN Report E36038 and E36055). Up to now, the regulations governing the eggs and poultry market allowed the European Commission (EC) to co-finance compensation measures only in cases where there was a case of avian flu on a farm or where farmers were prevented from moving their poultry because of restrictions imposed on veterinary orders. There was no possibility to provide aid to take account of market problems linked to a fall in sales caused by a loss of consumer confidence. In the past, the only market support tool available for poultry was export subsidies. The EC had already increased export support on several occasions but this had proven to be ineffective under current market circumstances.

On April 25, 2006, the European Agricultural Ministers approved a European Commission proposal for EC financial aid for the European poultry and egg sector (see GAIN Report E36070). The measure, Council Regulation 679/2006, is intended to counter balance the negative market impact of the avian flu crisis in the EU. On July 3, 2006, the details of the market support measures were laid down in Commission Regulation 1010/2006 and published in the Official Journal of the European Commission. The Regulation describes the maximum levels of compensation for destruction and depopulation. The Commission Regulation can be downloaded from the website:

<http://europa.eu.int/eur-lex/lex/JOIndex.do?ihmlang=en>, Official Journal L180.

In most Member States, the support will be co-financed by the governments on a 50-50 percent basis, putting in half of the support. The EC reportedly calculated the maximum level of support at about Euro 75 million. The sector expects, however, that in practice only about half of this amount will be allocated. This is due to restrictions laid down in Regulation 1010/2006, in particular setting the minimum time span for advancing the slaughtering of the breeding flock at least six weeks before the standard date of slaughtering (Article 4 of 1010/2006). Most support is reserved for the destruction of hatching eggs and breeding birds. There is no budget allocated for promotion campaigns or the storage or destruction of poultry meat. Belgium and Hungary reportedly asked for compensation for a communication campaign to gain back trust of consumers. This could reportedly be paid from the general fund of the EC for promotion of agricultural products on the domestic market.

On July 12, 2006, the EC amended some details in Regulation 1010/2006. Within two weeks, these amendments are expected to be made public in the Official Journal of the EC.